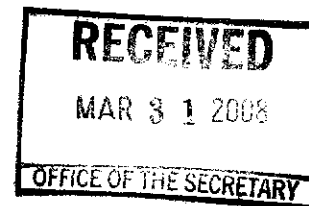


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March 25, 2008

Ms. Nancy M. Morris  
Federal Advisory Committee Management Officer  
Securities and Exchange Commission  
100 F. Street N.E.  
Washington, DC 20549-1090



Dear Ms. Morris:

By way of background, I retired in 1998 as a Senior Partner at Arthur Andersen after thirty-five years with our Firm and having served as the Managing Partner of our St. Louis, Memphis and Little Rock practices.

Presently I serve on the audit committees of three New York Stock Exchange listed public companies (chair of two audit committees and chair of the governance committee at the third). This letter is motivated by a recent event which has further increased my concern that the proliferation of complex accounting "rules" and their application in practice is resulting in financial statements that may not reflect the real economic results of a business in the time frame being reported. Further the voluminous nature of required disclosures makes financial statements difficult to understand even for the most sophisticated readers/users.

**Background of Recent Event**

Centene Corporation, where I have been a Board member and Chair of the Audit Committee since 2004, is a multi-line healthcare services company with a focus on government services. Our Board and Management are committed to providing transparency, clarity and appropriate conservatism in Centene's financial reporting. We recently had a revenue recognition issue that was at the very least troublesome, and we believe created short and long-term loss of clarity to investors with a resultant loss in value for our shareholders. The facts of the situation are:

- 1) After a period of negotiation we received a contract amendment from the State of Georgia that provided for a rate increase retroactive to July 1, 2007. As requested by the State we executed the contract on November 16<sup>th</sup>, signifying our acceptance of the tendered agreement and returned it to the State. The revenues to be realized under this amendment are material to Centene's financial results.
- 2) For reasons unclear to either party the State signed and returned the contract amendment without modification on January 21, 2008. The fact the contract was offered by the State to us in November and we accepted it created, in our

mind and based upon legal advice, a binding obligation on the State as well as Centene.

- 3) Importantly, revenue recognition guidelines as we understood them led us to believe that our acceptance of the amendment tendered by the State and our performance there under constituted:
  - a. Persuasive evidence that an arrangement existed,
  - b. An arrangement fee that was fixed or determinable,
  - c. Delivery or performance had occurred by December 31, 2007 and
  - d. Collectability was reasonably assured.
- 4) Additional evidence supporting our reasoning occurred when the State issued, on February 5, 2008, a letter to Centene confirming facts and that we had an arrangement with them on November 5, 2007.
- 5) The State of Georgia has also stated that the revenue should be recognized in the fourth quarter of 2007 for State statutory reporting purposes.
- 6) Our independent public accountants advised us that the revenue must be recognized in the first quarter of 2008 based solely on the fact that the State of Georgia did not sign the contract amendment until January 21, 2008 even though Centene had completed one hundred per cent of its obligations under the contract by December 31, 2007. They appeared to be relying on revenue recognition guidelines promulgated for software companies vs. recognizing the common sense economic reality in our case. However in reliance on their status as "experts" and not wishing to create a "disagreement" Centene acquiesced to the recommended accounting treatment.
- 7) Owing to the confusion this created in the analyst community, the company lost 30% of its market cap and resulted in a great deal of shareholder dissatisfaction. Equally important we could not show pro forma data or (the "what ifs").

My point in the lengthy recitation of this situation is not to seek a different accounting for Centene (we have crossed that bridge) but to use it as one of many illustrations of some of the problems with our accounting and financial reporting model today.

### **Today's Problems**

First, it seems to me that we have abandoned a set of fundamental accounting "principles" in favor of a plethora of "rules" designed to deal with actual or perceived abuses or to achieve certain viewpoints currently held by rule makers and/or regulators. Unfortunately this complex set of rules also provides opportunities for creative financial engineers to craft transactions around specific rules with little regard for the underlying economic reality. I would propose that we adopt a clear set of the principles underlying